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Consolidated
DIVERSIFIED STANDARD SECURITIES
Limited

49th ANNUAL REPORT

Your Directors are pleased to report a continued strengthening of the Company during the past year. The realisable value behind each preferred and common share has increased and the trend has continued for the first three months of 1981.

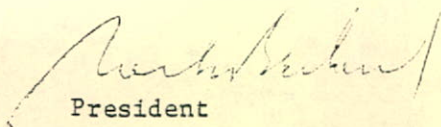
Unaudited figures as of March 31, 1981, would put the net asset value of each "A" and "B" common share at \$1.00 after having reserved \$50.00 for each first preferred and \$1.00 for each second preferred share in the hands of the public.

The portfolio of the Company has continued to be invested 10% in bonds, 10% in loans and mortgages and 80% in Canadian common stock on which options may be transacted.

Your Directors have decided to pay no dividend on the common and on the second preferred stock as long as the Company enjoys an income tax free position due to past losses.

The first preferred shares and the class "A" common shares are listed on the Montreal Stock Exchange.

Respectfully submitted,


President

DIRECTORS AND OFFICERS

ROCH BEDARD
President

GASTON N. MERCIER, C.A.
Vice-President

GAMELIN P. VADEBONCOEUR

MARCEL BALLARD

PIERRE BEDARD

MARCEL ARSENAULT
Secretary-Treasurer

APRIL 1981

Chartered Accountants

3210, 1 Place Ville Marie
The Royal Bank of Canada Building
Montreal, Quebec H3B 2W3
(514) 861-9311
Cable DEHANDS

To the Shareholders of
Consolidated Diversified Standard Securities Limited:

We have examined the consolidated balance sheet of Consolidated Diversified Standard Securities Limited as at December 31, 1980 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Normandin, Barrière & Associés

Auditors

February 27, 1981

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1980

	<u>1980</u>	<u>1979</u>
INCOME		
Dividends	\$ 33,987	\$ 32,680
Interests	28,850	18,351
Trading of options	46,317	77,281
Sundry and exchange	<u>3,085</u>	<u>17,264</u>
	<u>112,239</u>	<u>145,576</u>
EXPENSES		
Depreciation	3,181	186
Director's fees	300	600
Interest, exchange and bank charges	14,440	5,358
Legal, audit and accounting fees	10,675	5,422
Office and general	9,215	7,415
Executive remuneration	<u>30,400</u>	<u>14,900</u>
	<u>68,211</u>	<u>33,881</u>
INCOME FROM OPERATIONS	44,028	111,695
GAIN (LOSS) ON SALE OF INVESTMENTS	<u>52,082</u>	<u>(13,475)</u>
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	96,110	98,220
INCOME TAXES	<u>19,412</u>	<u>24,843</u>
INCOME BEFORE EXTRAORDINARY ITEMS	<u>76,698</u>	<u>73,377</u>
EXTRAORDINARY ITEMS		
Reduction of income taxes resulting from the application of losses of prior years	19,412	24,843
Loss on sale of long-term investments	<u>-</u>	<u>125,722</u>
	<u>19,412</u>	<u>(100,879)</u>
NET INCOME (LOSS)	96,110	(27,502)
RETAINED EARNINGS, BEGINNING OF YEAR	533,025	583,178
DIVIDENDS - first preference shares	<u>(22,642)</u>	<u>(22,651)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$606,493</u>	<u>\$533,025</u>
Profit per share class "A" and "B" before extraordinary items and after dividends on first preference shares	20.4c	19.1c
Profit (loss) per share class "A" and "B" after extraordinary items and dividends on first preference shares	27.7c	(18.9c)

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1980

	<u>1980</u>	<u>1979</u>
SOURCES OF WORKING CAPITAL		
Operations		
Net income	\$ 96,110	\$ -
Charges to operations not affecting working capital		
Depreciation of fixed assets	<u>3,181</u>	<u>-</u>
	99,291	-
Proceeds from sale of long-term investment	-	166,000
Mortgage loans and loans receivable	73,107	-
Decrease in unrealized loss on marketable securities	<u>-</u>	<u>201,445</u>
	<u>172,398</u>	<u>367,445</u>
USES OF WORKING CAPITAL		
Operations		
Net loss	-	27,502
Charges to operations not affecting working capital		
Depreciation of fixed assets	<u>-</u>	<u>186</u>
	-	27,316
Decrease in unrealized profit on marketable securities	119,663	-
Mortgage loans and loans receivable	-	38,944
Dividends	22,642	22,651
Purchase of company shares by a subsidiary	80	664
Acquisition of fixed assets	<u>9,792</u>	<u>-</u>
	<u>152,177</u>	<u>89,575</u>
INCREASE IN WORKING CAPITAL	20,221	277,870
WORKING CAPITAL, BEGINNING OF YEAR	<u>800,253</u>	<u>522,383</u>
WORKING CAPITAL, END OF YEAR	<u>\$820,474</u>	<u>\$800,253</u>

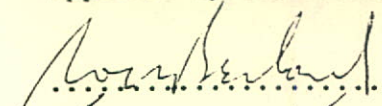
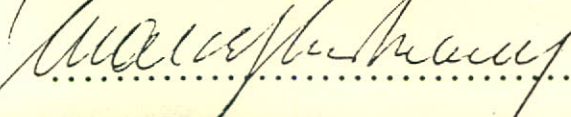
CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1980

	<u>1980</u>	<u>1979</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,400	\$ 135
Accounts receivable (Note 7)	51,085	838
Investment in marketable securities at market value - Schedule	943,787	963,341
Investment - other	1,500	-
Prepaid expenses	1,200	-
	<u>998,972</u>	<u>964,314</u>
MORTGAGE LOANS AND LOANS RECEIVABLE	33,400	106,507
FIXED ASSETS	6,969	358
	<u>\$1,039,341</u>	<u>\$1,071,179</u>
<u>LIABILITIES</u>	<u>1980</u>	<u>1979</u>
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 4,300	\$ 6,800
Due to broker	98,887	44,363
Note payable	-	45,000
Unclaimed dividends	75,311	67,898
	<u>178,498</u>	<u>164,061</u>
UNREALIZED GAIN ON MARKETABLE SECURITIES	34,768	154,431
<u>SHAREHOLDERS' EQUITY</u>		
SHARE CAPITAL (Note 2)	323,235	323,235
RETAINED EARNINGS (Note 5)	606,493	533,025
	929,728	856,260
Less: Shares held by subsidiary - at cost	<u>103,653</u>	<u>103,573</u>
	<u>826,075</u>	<u>752,687</u>
	<u>\$1,039,341</u>	<u>\$1,071,179</u>

Approved by the Board:

Director
Director

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Basis of consolidation

The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiaries:

- Central Loan & Mortgage Co. (Cie Centrale d'Hypothèque et de Prêt) for the year ended December 31, 1980
- Alco Securities Corporation Ltd. - for the year ended December 31, 1980

Marketable securities

The company carries its marketable securities at market value, which is determined by valuing each investment security at the latest sale price thereof reported by the principal securities exchange on which the issue is traded. The excess of market value over cost is deferred to the period of realization.

Investment transactions and income

Investment transactions are accounted for on the settlement date. Income is recorded as follows:

- Interest - accrued to year-end
- Dividends - per date of record

Realized gains and losses from investment transactions are calculated on the basis of average cost.

Fixed assets

They are accounted for at cost and amortized over their useful life using the declining balance method:

- Furniture and fixtures - 20%
- Automobile - 30%

Foreign exchange

Items in foreign currencies have been translated into Canadian dollars on the following basis:

- Current assets and liabilities - at the rate of exchange prevailing at year-end
- Purchases and sales of marketable securities - at the rate of exchange prevailing on the respective dates of such transactions
- Income and expenses - at the average rate of exchange prevailing during the year.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITEDNOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 1980

2. SHARE CAPITAL

Authorized

19,083 and 10/25, \$2.50 non-cumulative first preference,
 voting, no par value, redeemable at \$50 per share
 275,000, 8%, non-cumulative redeemable second preference,
 voting, redeemable at par value of \$1
 275,000, 8%, non-cumulative redeemable third preference,
 voting, redeemable at par value of \$1
 1,000,000 class "A" common shares of no par value
 112,500 class "B" common shares of no par value

Issued and fully paid

12,000 first preference shares		
152,340 and 39/40, class "A" common shares		
112,500 class "B" common shares	\$ 58,395	\$ 58,395
264,840 second preference shares	<u>264,840</u>	<u>264,840</u>
	<u>\$323,235</u>	<u>\$323,235</u>

3. INCOME TAXES

The company and its subsidiaries have losses for tax purposes amounting to \$47,701 which are available for application against future years' taxable income as follows:

<u>Amount</u>	<u>Available to</u>
\$ 1,172	1981
34,950	1982
10,893	1983
<u>686</u>	1985
<u>\$47,701</u>	

The related tax benefit resulting thereof has not been recorded in the financial statements.

4. COMMITMENTS

Stocks options

The company is committed, under stock options to:

- Sell marketable securities with a market value of \$717,563 for an amount of \$797,250 should the options be exercised;
- Buy marketable securities for an amount of \$170,000 should the options be exercised.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITEDNOTES TO CONSOLIDATED FINANCIAL STATEMENTSDECEMBER 31, 1980

5. STATUTORY INFORMATION

	<u>1980</u>	<u>1979</u>
Number of directors	6	6
Remuneration of directors	\$ 300	\$ 600
Number of officers	5	5
Remuneration of officers	\$37,075	\$16,622
Number of officers who were also directors	5	5

6. COMPARATIVE FIGURES

Some figures for the preceding year have been reclassified to conform to the current year's presentation. Furthermore, the consolidated statements for the year ended December 31, 1979 were reported upon by other auditors. The comparative figures are not covered by this year's auditors' report.

7. ACCOUNTS RECEIVABLE

During the year, the company has made loans to shareholders the balance of which is \$47,061 at year-end. These loans bear interest at the rate of 14% annually.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1980

	Cost	Market value
BONDS		
Consolidated Bathurst Inc., 11%, March 1995	\$ 18,360	\$ 14,693
Costain Ltd., 11-3/8%, November 1998	35,000	27,169
Doman Industries Ltd., 10-1/4%, December 1997	4,900	4,000
Nu-West Development, 11-1/2%, May 1999	15,000	12,525
McLaughlin (S.B.) Ass. Ltd., 11-3/4%, December 1985	4,938	5,000
Montreal Island Council, 10-1/4%, April 1998	12,000	8,850
Hydro-Québec ex. 90, 14%, April 15, 1985	10,000	10,300
	<u>100,198</u>	<u>82,537</u>
SHARES		
1,800 Abitibi Price Inc.	31,317	44,100
3,000 Alcan Aluminium Limited	80,772	119,250
1,000 Société Aquitaine du Canada Ltée	62,117	40,750
1,000 Canadian Pacific Enterprises Ltd.	30,442	25,125
2,000 Dome Petroleum Ltd.	121,251	143,500
4,000 Gulf Canada Ltd.	116,227	94,000
7,000 Inco Limited	195,405	165,375
2,500 Interprovincial Pipe-Line Ltd.	44,276	39,688
5,300 Noranda Mines Ltd.	93,955	158,337
1,000 H. Walker-Consumers Home	33,059	31,125
	<u>808,821</u>	<u>861,250</u>
	<u>\$909,019</u>	<u>\$943,787</u>

